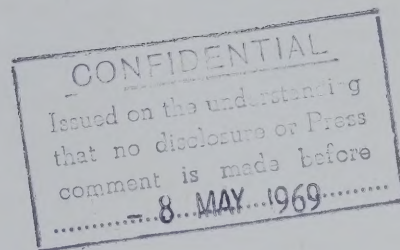


W. H. Smith & Son (Holdings) Limited

20th Annual Report and Accounts
1st February 1969



AR22



W.H.Smith & Son (Holdings) Limited

Report and Accounts—1st February 1969

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W.H.Smith & Son (Holdings) Limited

Dates and facts to note

Dividend and interest payments

Ordinary dividends

Interim announced late November. Paid mid January
Final proposed late April. Paid early July

Preference dividends

Paid end March, September

Debenture and Loan Stock interest

4 $\frac{1}{4}$ % Redeemable Debenture Stock	}	Paid beginning May, November
8% Redeemable Debenture Stock		
5 $\frac{1}{8}$ % Redeemable Unsecured Loan Stock	}	Paid early January, July
7 $\frac{3}{4}$ % Redeemable Unsecured Loan Stock		

Results

Eight months' results	Announced late November
Results for the year	Announced late April

For capital gains tax purposes market values on

6th April, 1965 were as follows:

'A' Ordinary Shares of £1 each (adjusted for scrip issue 30th June, 1966)	36s
'B' Ordinary Shares of 4/- each (adjusted for scrip issue 30th June, 1966)	7s 6d
7% Cumulative Preference shares of £1 each	20s 6d
7 $\frac{3}{4}$ % Redeemable Unsecured Loan Stock	102 $\frac{1}{2}$
4 $\frac{1}{2}$ % Cumulative Redeemable Preference Shares of £1 each	13s 3d
5 $\frac{1}{8}$ % Redeemable Unsecured Loan Stock	66 $\frac{1}{4}$
4 $\frac{1}{4}$ % Redeemable Debenture Stock	71

Twentieth Annual General Meeting

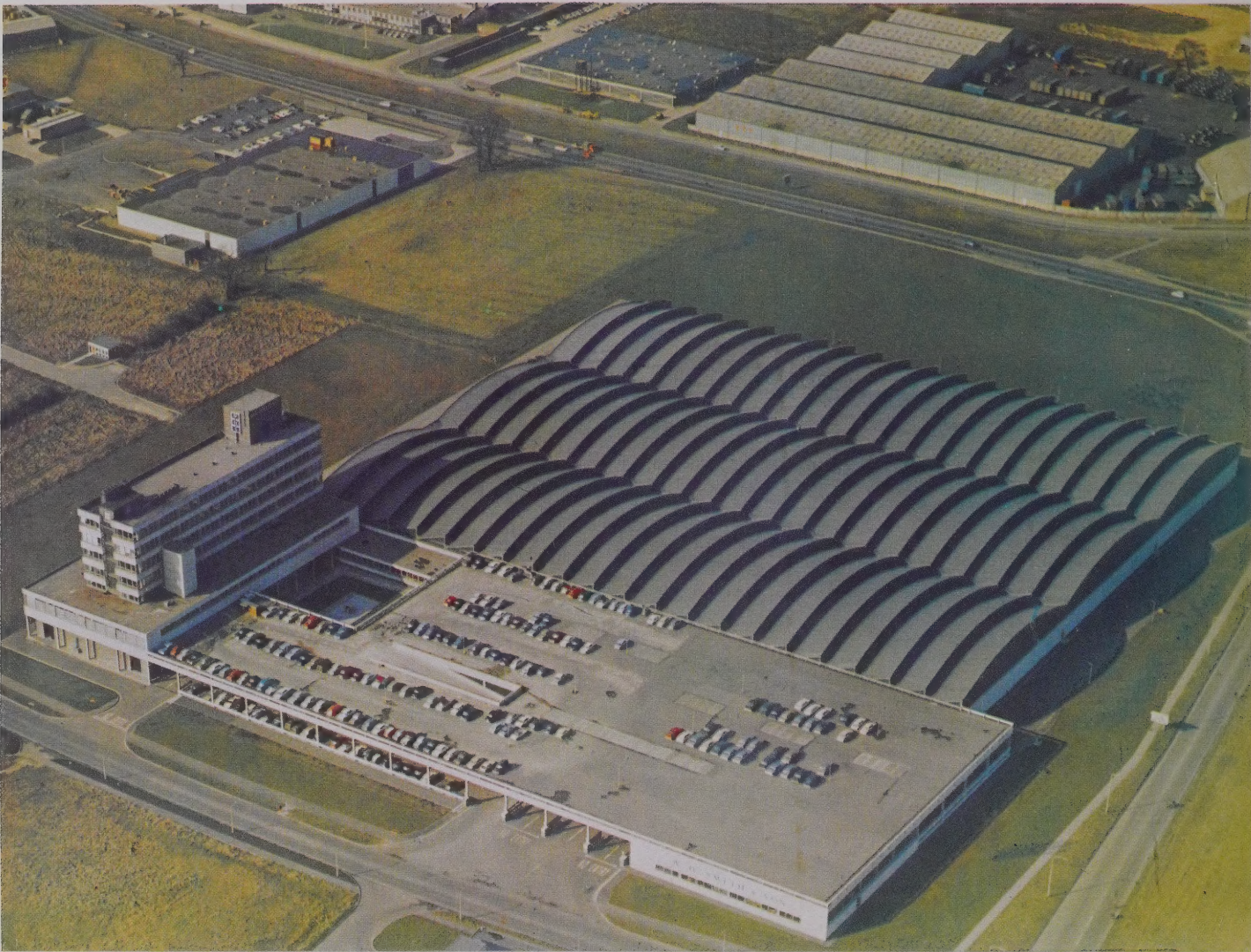
To be held at Strand House, Portugal Street, London, WC2, on Friday, 30th May, 1969, at 12 noon
(formal notice of meeting see page 10).

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Salient figures

	1969	1968
Sales to customers outside the Group.....	<u>£100,986,000</u>	<u>£91,597,000</u>
Profit before taxation.....	3,834,000	2,488,000
Taxation.....	1,924,000	1,168,000
Profit after taxation and outside shareholders' interest in Subsidiary Company.....	1,904,000	1,316,000
Preferential dividends (gross).....	24,000	130,000
Ordinary dividends (gross).....	1,113,000	1,002,000
Profit retained.....	<u>767,000</u>	<u>184,000</u>
Capital employed *.....	27,527,000	26,902,000
Capital expenditure.....	738,000	1,271,000
Depreciation.....	<u>974,000</u>	<u>967,000</u>
Per £1 Ordinary Share		
Dividends		
Interim paid 18th January 1969.....	8d	8d
Final proposed—payable 8th July 1969 if approved.....	1s4d	1s1·6d
Total.....	<u>2s0d</u>	<u>1s9·6d</u>
Earnings.....	3s4·5d	2s1·6d
Dividend cover.....	1·7	1·2
Asset value *.....	36s7d	35s4d

* Figures include the surplus arising from the 1965 property valuation.



Swindon

The Supply Centre at Swindon has now been operating for almost two years and is proving successful. The output is steadily increasing and reductions are being effected in our unit costs.

Orders from the branches are processed in a 4-day cycle. Each branch is allotted its appropriate ordering day – once or twice a week. On day one the order is posted from the branch. On day two the order is received and put through the computer. On day three the goods are picked and packed and on day four they are delivered to the branch. Supplies are packed into standardised skips – specially designed containers which are returned to Swindon after use. 5,056,000 book and stationery lines were distributed last year and 836,000 skips. To handle this quantity of orders the warehouse holds a stock of about 1½ million books – some 43,000 different titles. The stationery and general merchandise area of the warehouse also carries a stock of some 10,000 lines.





Brighton reflects a trend—

Opened in November, 1968, Brighton (Churchill Square) is the latest addition to Smith's exciting new shops. It occupies 11,000 square feet on three floors in one of the most modern shopping centres in the South. The design demonstrates the new thinking and planning going into the Company's new shops. Wall-to-wall carpeting has been used throughout and the shop, like all our new shops, is fully air-conditioned; each department has its own colour-scheme and is clearly signposted.

The book department, which occupies most of the first floor, is easily reached by the escalator and carries a range of books at least equal to any other Smith's shop in south-east England. The record department on the lower ground floor is the first fully self-service record department in any branch. Instead of the records being stored behind the counter, they are displayed in their sleeves on "browser" units. When customers have made their choice, they can quickly complete their purchase by taking their records straight to the cash-and-wrap point.

Other new branches were opened in 1968 at Stockport, Poole, and Basingstoke. Plans for 1969 include a new shop at Nottingham, which will be the largest Smith's shop, and others at Erdington, Kilburn and Henley-on-Thames. In addition, fifteen shops will undergo modernisation and refitting.





Smith's work around the clock

Somebody's always busy at Smith's. With millions of newspapers and magazines to deliver to the Agents and Branches every day the news side hardly ever ceases, and an interesting aspect of its work is the Train Packing operation. When most of us have long since called it a day, at Smith's London and Manchester headquarters the night packers are starting theirs. At 11 p.m. they are in full swing sorting and stacking the papers as they come in, ready for the waiting vans. These vans are soon speeding to the terminal stations.

Destinations of the 16 news-packing trains from London include Bristol, Cardiff, Coventry, Llanelli, Newport, Plymouth, Nottingham and Swansea and cover a total of 2,700 miles. From Manchester other special trains head out over a total 550 miles to cover the north. Just before midnight, when the vans start arriving, the train packers spring into action. First they sort the papers in bulk and stack them in the train newsvans. Then they travel with them, sorting and packing all the way for the delivery stations en route.

At the stations of arrival the famous red Smith vans will be waiting to collect and deliver.

Journey's end as far as the wholesale houses are concerned. But for all the retail agents and Smith's retail branches served by the W.H.S. train-packing procedure the journey is just beginning.





Our training programmes

We believe that good training is an essential element in the success of our business. We have devoted much thought and energy to sound training schemes. Training must begin at branch level where staff are instructed in the knowledge of their merchandise, in the systems and in display and salesmanship.

Those who conduct the training in the branches are themselves trained in how to teach at three Regional Training Centres in London, Birmingham and Leeds.

In a business which is dispersed throughout the whole of England and Wales, the effectiveness of local management is of paramount importance. Great emphasis is therefore placed on the preparation of staff for managerial appointments and their subsequent training as managers. This is done at the Firm's residential Staff College at Chelsea.

Both Head Office and the Swindon Supply Centre have their own training centres.

During the year 3,300 staff attended courses at these training establishments, 1,500 on courses lasting one week or more, and 1,800 attending one- or two-day seminars. The total number of student days provided during the year at these establishments exceeded 10,000. In addition to the Firm's internal training programmes, many senior executives attend outside courses at Business Schools.

The Company also operates a two-year management trainee scheme for men between the ages of 19 and 25 drawn both from inside the business and from the universities. This is believed to be the only major scheme in the country to give systematic training in both the retail and wholesale trades.

Top Left—A Course at the Company's Management Training Centre.

Top Right—Training on the shop floor at Brighton Shop.

Bottom Right—Training taking place at the London Regional Training Centre.

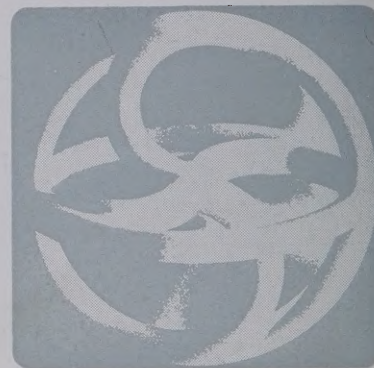


Own brands

Own-brand merchandising has developed rapidly in recent years and is now a prominent factor in retail marketing. We feel that with our own technique of simplified shopping, we have an ideal opportunity to capitalise on our own-label merchandise by offering our customers really good quality products giving excellent value for money.

Display is a critical factor in promoting own brands and, with the need to reassure customers on quality, the design of our own-brand packaging is of paramount importance.

We have appointed the Woudhuysen Design Group to act as our consultants on the packaging of own-label merchandise, and they have been given a programme which covers a wide range of products. Last year, we launched over 56 lines of W. H. Smith own-brand stationery, and our policy is to continue to expand this range, and to introduce own-brand lines to our stocks of gramophone record accessories, toys and games, leather goods and greeting cards.





Air transport advertising — W.H.S. Advertising Ltd

We have played an important part in all forms of outdoor advertising for over 100 years but it is only in recent years that we began to be associated with advertising inside airport terminal buildings and the approaches to those buildings.

With the advertising appointment to the British Airports Authority on 1st January 1969, we became the premier airport advertising contractors in Europe, with sole advertising rights at 30 airports in the United Kingdom and six in Europe.

Through close association with official airport bodies and involvement with display and sign-making organisations, we sell, install and maintain the displays of international advertisers in 57 additional airports in Europe and Africa.

We also offer advertising to international companies in the In-Flight literature and on the functional documents of leading British airlines.

Advertisement at Kotoka International Airport, Accra.
This is typical of the advertisements placed by us.



W.H.Smith & Son (Holdings) Limited

Notice of Meeting

Notice is hereby given that the Twentieth Annual General Meeting of W.H.Smith & Son (Holdings) Limited will be held at the Registered Office of the Company, Strand House, Portugal Street, London, WC2, on Friday 30th May, 1969, at 12 noon for the following purposes:

To receive the Directors' Report and Statement of Accounts for the year ended 1st February, 1969, and the Auditors' Report thereon (Resolution 1)

To declare a dividend (Resolution 2)

To elect Directors

The following Directors will be proposed for re-election in accordance with Article 113

The Hon. D. J. Smith (Resolution 3a)

The Hon. J. F. A. Smith (Resolution 3b)

Mr. J. G. Phillimore (Resolution 3c)

To fix the remuneration of the Auditors

To transact any other ordinary business

By Order of the Board

M. F. D. O'REILLY

Secretary

Strand House, Portugal Street,
London, WC2
7th May, 1969

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him, and a proxy need not be a member. Holders of Debenture Stock, Loan Stock and Preference Shares are not entitled to attend and vote at the Annual General Meeting.

Notice

The following documents will be available at the registered office of the company on any weekday (except Saturday) during normal business hours and for a period of fifteen minutes prior to the annual general meeting and during the meeting:

- (a) A statement of all transactions of each director and of their family interests in each class of the share capital and debentures of the company.
- (b) Copies of contracts of service of the Chairman and Group Managing Directors.

W.H.Smith & Son (Holdings) Limited

Directors

Directors

THE HON. DAVID JOHN SMITH, CBE, JP	Chairman
CHARLES HUGH WILLIS TROUGHTON, CBE, MC, TD	} Group Managing Directors
PETER WARD BENNETT, OBE	
GEORGE WILLIAM ROWE	
HENRY HAMILTON VAN STRAUBENZEE, DSO, OBE	
MICHAEL CHARLES ST. JOHN HORNBY	
THE HON. JAMES FREDERICK ARTHUR SMITH, OBE	
LORD MARGADALE OF ISLAY, TD, JP	
JOHN GORE PHILLIMORE, CMG	
HUGH NORMAN SAUNDERS, OBE, TD, JP	
VISCOUNT HAMBLEDEN	

Secretary

M. F. D. O'REILLY, FCIS

Auditors

TOUCHE ROSS & KEMP CHATTERIS, 3, London Wall Buildings, London, EC2

Consulting Accountants

PEAT, MARWICK, MITCHELL & CO, 11, Ironmonger Lane, London, EC2

Solicitors

BIRCHAM & CO, 46, Parliament Street, London, SW1

Registrars

BARING BROTHERS & CO LIMITED, 8, Bishopsgate, London, EC2

Registered Office

STRAND HOUSE, Portugal Street, London, WC2

W.H.Smith & Son (Holdings) Limited

Chairman's Statement

Results and prospects are dealt with in the Report of the Directors. You will see that profit before tax at £3,834,000 is an all time record. All members of the staff deserve the greatest praise for their efforts.

As retailers we depend for our success on the people who work in the business, the siting of our branches and the merchandise we sell.

We have over the past years spent considerable sums of money on the training of managers and staff and this has contributed and will continue to contribute a good return on the money invested. In recent months a Training Board for the Distributive Trades has been set up by the Government and while we shall have to pay a levy to this Board we expect to recoup a fair proportion of this by acceptance of our training programmes by the Board.

Our retail branches are for the most part well sited both in main streets and in the railway stations and airports where we have a licence to operate. We are constantly on the look out for new sites particularly in cities and towns where we are not yet represented. There are many opportunities for expansion particularly in the Midlands, the North and the Greater London area.

So far as merchandise is concerned we are now feeling to a greater extent the benefits of centralised buying and sales promotion services. We are adding to our range of 'Own Brand' merchandise particularly in stationery and the results have been very encouraging.

We give a country-wide wholesale news service to our own retail branches and many thousands of retail newsagents. Here, as in retail, our staff are given thorough training and in addition we have inaugurated a training programme for retail newsagents in the Birmingham area. This experimental scheme may be expanded in the future. One of our main problems is the high cost of providing a wholesale service in the London area. This is due to our proximity to the newspaper offices where high rates of earnings have been conceded by publishers. We and other wholesalers in London pay less than the publishers, but not unnaturally our employees are anxious to narrow the gap. One way in which the publishers of daily newspapers can help us in London is by being consistently on time in their production and deliveries. The wholesaler, the retailer and the customer would all benefit and in the long run, the newspapers would benefit too.

Both newspapers and magazines are experiencing difficulty in retaining their circulations. This calls for a positive marketing approach which we recognised and put into effect some years ago. I am glad to say that all sections of the trade are coming to realise the importance of maximum availability to the public of at least the major titles.

In February 1971 we shall have to face the change to decimal currency. In a company such as yours, this poses many problems including that of training, but in order to be fully prepared we set up a Decimalisation Committee in 1968 and good progress has already been made.

Retirement of a Director

Mr. M. C. St.J. Hornby will be retiring from the Board at the Annual General Meeting. He became a Partner in W. H. Smith & Son in 1924 and subsequently a Managing Director. He retired from the Board of the operating company in 1965.

Mr. Hornby has given invaluable service to the company for over forty years, during the last twenty-one of which he was Vice-Chairman. I have been very fortunate during this period to be able to rely on his great knowledge of our trade and on his unfailing kindness and wise counsel.

D. J. SMITH

Chairman

W.H.Smith & Son (Holdings) Limited

Report of the Directors

Twentieth Annual Report: Year ended 1st February 1969

The Directors submit their report with the balance sheet of the Company at 1st February, 1969, and Group accounts for the year ended on that date.

Principal activities of the Group

The Company, as the name implies, does not trade but holds all the issued share capital of W.H.Smith & Son Limited. The latter Company is principally engaged in selling newspapers, magazines, books, stationery, greetings cards, toys and games and fancy goods, both at the whole-sale and retail level. The sale of gramophone records is an important activity on the retail side.

Apart from those subsidiaries at home and abroad carrying on essentially the same business as retailers and, to a minor extent, as wholesalers as the main operating Company, there are subsidiary Companies in business as shopfitting manufacturers, road haulage contractors, advertising agents and management consultants. In addition, there is a partnership between W.H.Smith & Son Limited and Doubleday & Co. Inc., of New York, Book Club Associates, which operates book clubs. This is not yet a principal activity but a development with promising potential.

There were no changes in the principal activities of the Group during the year.

The analysis of the turnover and Group profit is set out on page 29.

State of Company's affairs

The figure of profit before tax should be seen as an extension of the rising trend of profits as shown on page 24, which took place for the six years up to 1965/66. This trend was broken in the two subsequent years, largely because of reorganisation expenses and the initial impact of the Selective Employment Tax. The profit of £3,834,000 should be seen in this perspective.

The main activity—newsagents, booksellers and stationers at both the wholesale and retail level—contributed £3,680,000 or 96 per cent. of the group profit. There was a favourable combination of circumstances at work. Sales were 10 per cent. higher to which price increases, particularly of newspapers and magazines, made a substantial contribution. Additional factors, which cannot be specifically quantified in terms of profit, were increasing efficiency and a pay back from the substantial investment in reorganisation which was made over the past few years.

The two departments dealing in the supply of books to trade customers and export, both reduced the size of their losses. These losses should be substantially reduced or eliminated within the current year.

Amongst the subsidiary activities, there was an overall improvement. Book Club Associates established book clubs traded profitably, but as expected the costs of launching a new simultaneous book club—the Literary Guild—absorbed all the profit. The shopfitting manufacturing company made a small loss and should produce a profit this year.

The liquid asset position of the Group has improved, as has the working capital position where the ratio of current assets to liabilities is now 1.4 : 1.

On pages 4–9 we have illustrated some of the activities of the Group.

Other matters material for appreciation of state of Company's affairs

It is unlikely that increases in selling prices will be a material factor in the current year's trading. On the other hand wage rates are likely to rise.

The direct effect of the Budget, apart from the increase in Corporation Tax which is reflected in these accounts, has been to increase the Selective Employment Tax charge in a full year by an estimated £226,000 making a total of £1,074,000. The cost of this tax in the current year is calculated to be £980,000 as the higher rates take effect from July onwards.

In view of this and the prospect of a reduction in the level of consumer spending, the profit for 1969/70 may not reach the figure achieved in the past year. It is impossible to be more precise at this stage.

W.H.Smith & Son (Holdings) Limited

Report of the Directors continued

Dividend

It is recommended that a Final Dividend of 6 $\frac{2}{3}$ per cent. (1s 4d per share of £1), less Income Tax, be paid in respect of the year to the 1st February, 1969, making a total for the year of 10 per cent. (2s 0d per share of £1).

The Treasury's approval for this increase in dividend has been obtained.

If the above recommendation is approved at the Annual General Meeting, warrants for the Dividend on the 'A' and 'B' Ordinary Shares will be posted on the 8th July, 1969 to members whose names appear on the Register at the close of business on the 30th May, 1969.

Directors

The names of the present Directors of the Company are shown on page eleven.

As reported at the last annual general meeting Mr. A. W. Acland retired at the close of that meeting having attained the age of 70.

The Hon. D. J. Smith, The Hon. J. F. A. Smith and Mr. J. G. Phillimore retire by rotation and offer themselves for re-election.

Mr. M. C. St. John Hornby will retire at the close of the annual general meeting having reached the age of 70.

Additional Information

On pages 29 to 31 is further information as listed below, which is required to be disclosed under the Companies Act 1967 and is deemed to be part of this report.

Proportions of turnover and contributions to Group profit of principal activities.

Particulars of exports.

Significant changes in fixed assets of the Group.

Market value of freehold and leasehold properties.

Staff.—Numbers employed and their aggregate remuneration.

Charitable and political contributions.

Contracts in which the Directors have or have had material interests.

The Company's Shareholders.

Directors' interests in the Company's shares and debentures.

By Order of the Board,

M. F. D. O'REILLY,

Secretary

23rd April, 1969

W.H.Smith & Son (Holdings) Limited

Report of the Auditors

To members of W.H.Smith & Son (Holdings) Limited

In our opinion, based on our examination and on the reports of other firms who have audited the accounts of certain subsidiaries, the accounts and notes set out on pages 16 to 23 comply with the Companies Acts 1948 and 1967 and, so far as concerns members of the Company, give a true and fair view of the state of affairs at 1st February, 1969 of the Company and of the Group, and of the profit of the Group for the year ended on that date.

TOUCHE ROSS & KEMP CHATTERIS,
Chartered Accountants

3, London Wall Buildings
London, EC2

23rd April, 1969

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies
Consolidated Profit and Loss Account

	4th February, 1968 to 1st February, 1969 (52 weeks)	1968 (53 weeks)
Sales to customers outside the Group (excluding delivery expenses recovered).....	£100,986,000	£91,597,000
Profit before taxation (Note 1).....	3,834,000	2,488,000
Taxation		
Corporation tax on the profit of the year..... (2 months 42½ per cent., 10 months 45 per cent.)	1,922,000	1,171,000 (2 months 40 per cent., 10 months 42½ per cent.)
Overseas tax.....	38,000	25,000
	1,960,000	1,196,000
<i>Less:</i>		
Investment allowance relief.....	—	3,000
Double taxation relief.....	36,000	25,000
	1,924,000	1,168,000
Profit after taxation (Note 3).....	1,910,000	1,320,000
Profit attributable to outside shareholders.....	6,000	4,000
	1,904,000	1,316,000
Dividends (Note 4).....	1,137,000	1,132,000
Profit transferred to retained earnings	£767,000	£184,000

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Notes on the Consolidated Profit and Loss Account

	1969	1968
1 Profit before taxation is stated after :		
(a) Charging		
Interest on Debenture Stock.....	228,000	233,000
Interest on Unsecured Loan Stock.....	178,000	62,000
Interest on bank overdraft.....	—	37,000
Debenture Stock redemption.....	30,000	30,000
Depreciation.....	974,000	967,000
Rents paid.....	717,000	617,000
Audit Fees and expenses (Parent Company £1,000, 1968 £550).....	26,000	23,000
Hire of plant and machinery.....	80,000	47,000
Emoluments of the Directors of W. H. Smith & Son (Holdings) Ltd.		
Chairman.....	33,000	33,000
Other Directors :		
£25,001—£27,500 2 Directors.....	50,000	50,000 (2)
£15,001—£17,000 1 Director.....	16,000	—
£12,501—£15,000 1 Director.....	15,000	—
—	—	—
5 Total Other Emoluments.....	114,000	83,000 (3)
—	—	—
0—£2,500 7 Directors—Fees.....	7,000	8,000 (7)
Pension contributions.....	73,000	56,000
Pension paid to Directors as former executives.....	11,000	11,000
	205,000	158,000
(b) Crediting		
Rents receivable.....	147,000	150,000
Interest on bank deposits.....	102,000	31,000
Income from quoted investments.....	—	1,000
Income from unquoted investments.....	1,000	1,000
2 Remuneration of employees		
The number of employees, other than Directors of the parent company, whose total emoluments receivable, excluding pension contributions exceeded £10,000 were :		
£10,001-£12,500.....	3	1
£12,501-£15,000.....	—	3
3 Profit after taxation		
W.H.Smith & Son (Holdings) Limited.....	1,144,000	1,115,000
Subsidiary Companies.....	766,000	205,000
	<u>£1,910,000</u>	<u>£1,320,000</u>
4 Dividends		
7 per cent Cumulative Preference Shares.....	12,000	51,000
4½ per cent Cumulative Redeemable Preference Shares.....	12,000	79,000
'A' and 'B' Ordinary Shares		
Interim of 3½ per cent—8d per share of £1.....	371,000	371,000
Proposed final of 6¾ per cent—1s 4d per share of £1.....	742,000	631,000
	<u>£1,137,000</u>	<u>£1,132,000</u>

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Consolidated Balance Sheet

	1st February, 1969	3rd February, 1968
CAPITAL EMPLOYED		
Issued share capital of Holding Company.....	11,567,000	11,567,000
Reserves		
Net realised capital profits (<i>Note 1</i>).....	573,000	680,000
Retained earnings (<i>Note 2</i>).....	4,737,000	3,925,000
Outside shareholders' interest.....	8,000	10,000
Redeemable Debenture Stock (secured)		
4½ per cent – 1970/85.....	1,627,000	1,705,000
8 per cent – 1987/92.....	2,000,000	2,000,000
	3,627,000	3,705,000
Redeemable Loan Stock (unsecured)		
7¾ per cent 1988/93.....	831,000	831,000
5½ per cent.....	2,239,000	2,239,000
	3,070,000	3,070,000
	<u>£23,582,000</u>	<u>£22,957,000</u>
NET ASSETS		
Current assets		
Stock at lower of cost and net realisable value.....	6,221,000	6,101,000
Debtors.....	6,925,000	6,537,000
Bank deposits.....	2,558,000	2,220,000
Bank balances and cash.....	2,374,000	1,784,000
	18,078,000	16,642,000
Less:		
Current liabilities		
Creditors.....	10,090,000	10,621,000
Corporation tax due 1st January, 1970.....	1,918,000	1,112,000
Other taxation.....	46,000	18,000
Accrued dividend on Preference Shares gross.....	8,000	8,000
Dividend on Ordinary Shares gross.....	742,000	631,000
	12,804,000	12,390,000
	5,274,000	4,252,000
Medium term assets		
Debtors not receivable within twelve months.....	120,000	196,000
Fixed assets		
Properties, plant, etc. (<i>Page 22</i>).....	18,136,000	18,457,000
Unquoted trade investments at Directors' valuation.....	52,000	52,000
D. J. SMITH		
C. H. W. TROUGHTON		
} <i>Directors</i>		
	<u>£23,582,000</u>	<u>£22,957,000</u>

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Notes on the Consolidated Balance Sheet

	1969	1968
1 Net realised capital profits		
Balance at beginning of year.....	680,000	84,000
Profit on sales of properties.....	—	627,000
	680,000	711,000
<i>Less:</i>		
Loss on sales of properties.....	1,000	—
Goodwills purchased and premiums on shares acquired in subsidiary companies	106,000	31,000
	107,000	31,000
	<u>£573,000</u>	<u>£680,000</u>

2 Retained earnings		
Balance at beginning of year.....	3,925,000	3,664,000
Profit of the year retained.....	767,000	184,000
Adjustment of reserves for doubtful debts and foreign exchange.....	—	65,000
Amount set aside for the redemption of 4½ per cent Debenture Stock 1970/85 including discount on stock purchased.....	53,000	33,000
	4,745,000	3,946,000
<i>Less:</i>		
Expenses of the conversion of Preference Shares into Unsecured Loan Stock	8,000	21,000
	<u>£4,737,000</u>	<u>£3,925,000</u>

3 Capital commitments

The estimated amount of capital expenditure authorised by the Board but not provided for in the accounts was £845,000 (1968 £764,000) of which contracts already placed were £294,000 (1968 £352,000).

4 Contingent liabilities

The parent company has guaranteed the performance of certain leases for hire of plant entered into by subsidiary companies totalling £495,000 (1968 nil). In addition there were Group liabilities under guarantees given in the normal course of business estimated at £482,000 (1968 £648,000).

5 Foreign currencies

Current assets and liabilities have been converted into sterling at the rates of exchange current at 1st February, 1969. Fixed assets have been converted at rates ruling at the dates of acquisition.

W.H.Smith & Son (Holdings) Limited

Balance Sheet

	1st February, 1969	3rd February, 1968
CAPITAL EMPLOYED		
Share capital (<i>Note 1</i>)	11,567,000	11,567,000
Reserves		
Retained earnings (<i>Note 2</i>)	247,000	195,000
Redeemable Debenture Stock (secured) (<i>Note 3</i>)		
4½ per cent—1970/85	1,627,000	1,705,000
8 per cent—1987/92	2,000,000	2,000,000
	<u>3,627,000</u>	<u>3,705,000</u>
Redeemable Loan Stock (unsecured) (<i>Note 3</i>)		
7¾ per cent 1988/93	831,000	831,000
5½ per cent	2,239,000	2,239,000
	<u>3,070,000</u>	<u>3,070,000</u>
	<u>£18,511,000</u>	<u>£18,537,000</u>
NET ASSETS		
Current assets		
Amounts owing by Subsidiary Companies	813,000	703,000
Debtors	1,000	—
Bank deposit	202,000	125,000
Bank balance	4,000	44,000
	<u>1,020,000</u>	<u>872,000</u>
<i>Less:</i>		
Current liabilities		
Creditors	249,000	186,000
Accrued dividend on Preference Shares gross	8,000	8,000
Dividend on Ordinary Shares gross	742,000	631,000
	<u>999,000</u>	<u>825,000</u>
	<u>21,000</u>	<u>47,000</u>
Fixed assets		
Subsidiary Companies (<i>Note 4</i>)	18,490,000	18,490,000
D. J. SMITH } <i>Directors</i>	<u>£18,511,000</u>	<u>£18,537,000</u>
C. H. W. TROUGHTON }		

W.H.Smith & Son (Holdings) Limited

Notes on the Balance Sheet

		1969		1968	
		Authorised	Issued and Fully Paid	Authorised	Issued and Fully Paid
1 Share capital					
169,072 7% Cumulative Preference Shares of £1 each.....		169,000	169,000	169,000	169,000
260,620 4½% Cumulative Redeemable Preference Shares of £1 each (<i>Note 3</i>)		261,000	261,000	261,000	261,000
12,308,590 “A” Ordinary Shares of £1 each.....		12,308,000	9,281,000	12,308,000	9,281,000
12,308,590 “B” Ordinary Shares of 4s each		2,462,000	1,856,000	2,462,000	1,856,000
		<u>£15,200,000</u>	<u>£11,567,000</u>	<u>£15,200,000</u>	<u>£11,567,000</u>
2 Retained earnings					
Balance at beginning of year.....			195,000		200,000
Profit of the year retained.....			7,000		17,000
					(Decrease)
Amount set aside for redemption of 4¼% Redeemable Debenture Stock 1970/85 including discount on stock purchased.....			53,000		33,000
<i>Less:</i>			255,000		216,000
Expenses of the conversion of Preference Shares into Unsecured Loan Stock....			8,000		21,000
			<u>£247,000</u>		<u>£195,000</u>
3 Redemption: Preference Shares, Debentures and Loan Stock					
	<i>In voluntary liquidation</i>	<i>By three months' notice</i>	<i>By tender or in the market at any time</i>	<i>By operation of annual sinking fund</i>	
4½% Preference Shares	Prior to 1.1.1975 22s 1.1.1975 to 31.12.1984 21s After 31.12.1984 at par	Prior to 1.1.1975 22s 1.1.1975 to 31.12.1984 21s After 31.12.1984 at par			
4¼% Debenture Stock	Prior to 2.5.1975 102 2.5.1975 to 1.5.1980 101 After 1.5.1980 at par	1.5.1970 to 1.5.1975 102 2.5.1975 to 1.5.1980 101 After 1.5.1980 at par		£30,000 p.a. Operates by purchase at or under par, or by drawings at par	
8% Debenture Stock	At par	From 6.1.1987 at par	Price not exceeding 110 (May also be made by private treaty)	£20,000 p.a. commencing 6.1.1972. Operates by purchase at or under par, or by drawings at par	
7¾% Loan Stock	At par	From 6.7.1988 at par	Tenders available to all stockholders—only lowest price to be accepted		
5½% Loan Stock	Prior to 1.1.1975 110 1.1.1975 to 31.12.1984 105 After 31.12.1984 at par	Prior to 1.1.1975 110 1.1.1975 to 31.12.1984 105 After 31.12.1984 at par	Tenders available to all stockholders—only lowest price to be accepted		
		1969		1968	
4 Subsidiary Companies					
Investment in W. H. Smith & Son Limited:					
The issued share capital at cost (£6,000,000) as increased by £3,500,000 in respect of reserves.....		9,500,000		9,500,000	
Loan		8,984,000		8,984,000	
		<u>18,484,000</u>		<u>18,484,000</u>	
6,000 Shares in Hambleden Estates Limited at cost.....			6,000		6,000
			<u>£18,490,000</u>		<u>£18,490,000</u>
5 Contingent liabilities					

The Company has guaranteed the performance of certain leases for hire of plant entered into by subsidiary companies totalling £495,000 (1968 nil).

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Properties, plant etc. table of movements

	Total	Freehold properties	Leasehold properties		Shop fronts and structures	Plant, machinery, motor vehicles and equipment	Furniture, fixtures and fittings
	£'000	£'000	Long-term	Short-term	£'000	£'000	£'000
COST, ETC.							
3rd February, 1968							
At valuation on 29th March, 1958.....	7,654	6,081	1,050	523	—	—	—
At cost.....	16,068	5,758	696	1,237	1,246	2,575	4,556
Capital Expenditure in year.....	738	111	—	207	56	189	175
Transfers.....	—	—	(52)	52	—	—	—
	24,460	11,950	1,694	2,019	1,302	2,764	4,731
Less: Sales, etc. in year							
At Valuation on 29th March, 1958.....	30	28	—	2	—	—	—
At cost.....	337	24	12	7	18	231	45
1st February, 1969.....	24,093	11,898	1,682	2,010	1,284	2,533	4,686
3rd February, 1968.....	23,722	11,839	1,746	1,760	1,246	2,575	4,556
AGGREGATE DEPRECIATION							
3rd February, 1968.....	5,265	—	119	465	642	1,392	2,647
Depreciation charged in year.....	974	—	15	82	163	325	389
Transfers.....	—	—	(8)	8	—	—	—
	6,239	—	126	555	805	1,717	3,036
Less: Depreciation withdrawn on Sales, etc. in year.....	282	—	—	7	16	214	45
1st February, 1969.....	5,957	—	126	548	789	1,503	2,991
3rd February, 1968.....	5,265	—	119	465	642	1,392	2,647
WRITTEN DOWN VALUE							
1st February, 1969							
At Valuation on 29th March, 1958.....	7,347	6,053	922	372	—	—	—
At cost.....	10,789	5,845	634	1,090	495	1,030	1,695
	18,136	11,898	1,556	1,462	495	1,030	1,695
3rd February, 1968.....	18,457	11,839	1,627	1,295	604	1,183	1,909

Freehold and leasehold properties

No provision has been made for depreciation on freehold properties as the Directors do not consider this is necessary.

Leasehold properties short-term have less than 50 years to run from 1st February, 1969.

Leasehold properties are amortised over the period of the leases.

A revaluation at market value on 30th January, 1965, adjusted by subsequent sales, disclosed a surplus of £3,945,000 on a book value of £10,894,000. This valuation was carried out by the Company's professional staff with a representative sample confirmed by Messrs. Hillier, Parker, May & Rowden.

Shop fronts and structures, plant, etc., and furniture, fixtures and fittings

Depreciation is provided by equal instalments over the anticipated lives of the assets.

W.H.Smith & Son (Holdings) Limited
Principal Subsidiary Companies of the Group

The only subsidiary of W.H.Smith & Son (Holdings) Limited is W.H.Smith & Son Ltd. All the others are subsidiaries of that company.

	Activity	Class of share	Group interest %	Country where incorporated and operating abroad
Newsagents, booksellers, and stationers				
W. H. Smith & Son Ltd.....	Main operating company	Ordinary	100	
Bowes & Bowes (Cambridge) Ltd.....	Booksellers	Ordinary	100	
W.H.Smith & Son (Canada) Ltd.....	Retail shops	Common	100	Canada
W.H.Smith & Son S A.....	Retail shop —Paris	Ordinary	100	France
W.H.Smith & Son (Belgium) S A.....	Retail shop —Brussels	Ordinary	100	Belgium
W.H.Smith-Continental Ltd.....	Wholesale newsagents	Ordinary	54	Malta
Shopfitting manufacturers				
Versatile Fittings (W.H.S.) Ltd.....		Ordinary	100	
Road haulage contractors				
W.H.S. Transport Ltd.....		Ordinary	100	
Advertising agents				
W.H.S. Advertising Ltd.....		Ordinary	100	
Management consultants				
Research and Marketing Ltd.....		Ordinary	100	

W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Tables of relevant comparative figures for the past ten years

	1968/9	1967/8	1966/7	1965/6	1964/5	1963/4	1962/3	1961/2	1960/1	10 months 1959/60
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GROUP TURNOVER, PROFITS AND FUNDS										
Turnover (outside the group).....	100,986	91,597	85,348	79,256	72,062	61,650	(These figures are not available)			
Profits										
Profit before taxation.....	3,834	2,488	2,622	3,049	2,753	2,577	2,227	2,101	1,753	1,795
Taxation.....	(1,924)	(1,168)	(1,053)	(1,200)	(1,546)	(1,413)	(1,316)	(1,178)	(916)	(915)
Profit after taxation.....	1,910	1,320	1,569	1,849	1,207	1,164	911	923	837	880
Outside shareholders.....	(6)	(4)	(1)	(3)	(5)	—	—	—	—	—
Dividends net Preference	1,904	1,316	1,568	1,846	1,202	1,164	911	923	837	880
Ordinary.....	(14)	(76)	(109)	(109)	(112)	(112)	(112)	(112)	(112)	(93)
Taxation thereon.....	(654)	(589)	(589)	(589)	(553)	(500)	(424)	(394)	(364)	(303)
Retained.....	(469)	(467)	(474)	—	—	—	—	—	—	—
Source of funds	767	184	396	1,148	537	552	375	417	361	484
Retained.....	767	184	396	1,148	537	552	375	417	361	484
Depreciation.....	974	967	820	700	634	562	562	586	480	284
Reserves.....	(64)	673	(111)	62	(22)	238	120	109	52	(69)
Loan capital.....	(78)	992	938	(27)	(65)	(59)	(129)	(25)	(38)	(44)
Future taxation.....	—	—	—	—	104	134	98	161	(209)	(43)
	1,599	2,816	2,043	1,883	1,188	1,427	1,026	1,248	646	612
Application of funds										
Net current assets.....	1,022	3,013	(1,572)	(900)	139	459	969	(657)	(1,159)	317
Medium term assets.....	(76)	(16)	(These figures are not available)							
Fixed assets.....	653	(181)	3,615	2,783	1,049	968	57	1,905	1,805	295
	1,599	2,816	2,043	1,883	1,188	1,427	1,026	1,248	646	612

	1968/9	1967/8	1966/7	1965/6	1964/5	1963/4	1962/3	1961/2	1960/1	1959/60
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Summary of balance sheets										
Fixed assets.....	18,188	18,509	19,657	16,862	14,779	14,364	13,958	14,463	13,144	11,819
Medium term assets.....	120	196	212	(These figures are not available)						
Net current assets.....	5,274	4,252	1,239	3,023	5,068	4,929	4,470	3,501	4,158	5,317
Total capital employed	23,582	22,957	21,108	19,885	19,847	19,293	18,428	17,964	17,302	17,136
Financed by Ordinary capital.....	11,137	11,137	11,137	7,425	7,425	7,425	4,950	4,950	4,950	4,950
Reserves.....	5,310	4,605	3,748	7,167	5,936	5,426	7,142	6,647	6,121	5,700
Ordinary shareholders interest.....	16,447	15,742	14,885	14,592	13,361	12,851	12,092	11,597	11,071	10,650
Preference capital.....	430	430	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Outside shareholders interest.....	8	10	10	18	39	34	3	3	3	11
Debenture and loan stock...	6,697	6,775	2,713	1,775	1,802	1,867	1,926	2,055	2,080	2,118
Future taxation.....	—	—	—	—	1,145	1,041	907	809	648	857
	23,582	22,957	21,108	19,885	19,847	19,293	18,428	17,964	17,302	17,136
Statistics										
Per £1 ordinary share										
Asset value (Note 1).....	36s 7d	35s 4d	34s 11d	34s 6d	34s 6d	24s 11d	23s 4d	22s 4d	21s 0d	20s 8d
Earnings (Notes 1 and 2).....	3s 4.5d	2s 1.6d	2s 5.8d	2s 11.8d	3s 3.6d	3s 0.9d	2s 4.1d	2s 4.6d	2s 0.7d	2s 8.4d
Gross dividend (Note 1).....	2s 0d	1s 9.6d	1s 9.6d	1s 9.6d	1s 7.9d	1s 5.5d	1s 2.8d	1s 1.9d	1s 0.7d	1s 0.7d
Dividend cover.....	1.7	1.2	1.4	1.7	2.0	2.1	1.9	2.1	1.9	2.5
Return on capital employed (Note 3).....	15.2%	10.3%	10.8%	12.9%	14.8%	14.6%	13.0%	12.8%	10.9%	13.8%

Notes

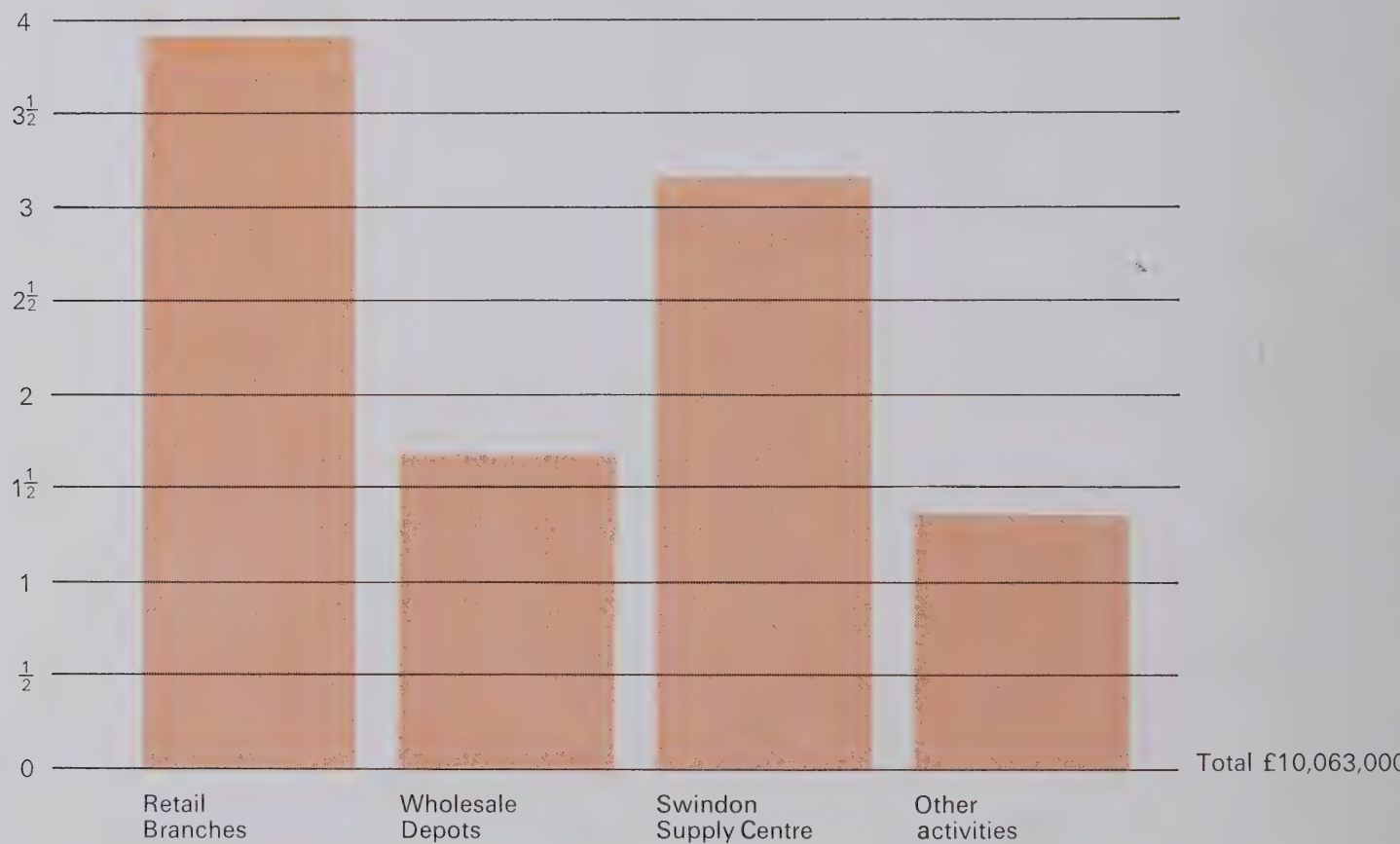
- Adjusted for scrip issues and the surplus arising from the 1965 property valuation.
- Due to the introduction of Corporation tax, 1965/6 to 1968/9 earnings are not comparable with the previous years.
- Based on capital employed at the beginning of the year adjusted for the surplus arising from the 1965 property valuation, taxation from 1966/7 onwards and bank overdraft. Profit is before taxation and interest charges.

W.H. Smith & Son (Holdings) Limited and Subsidiary Companies

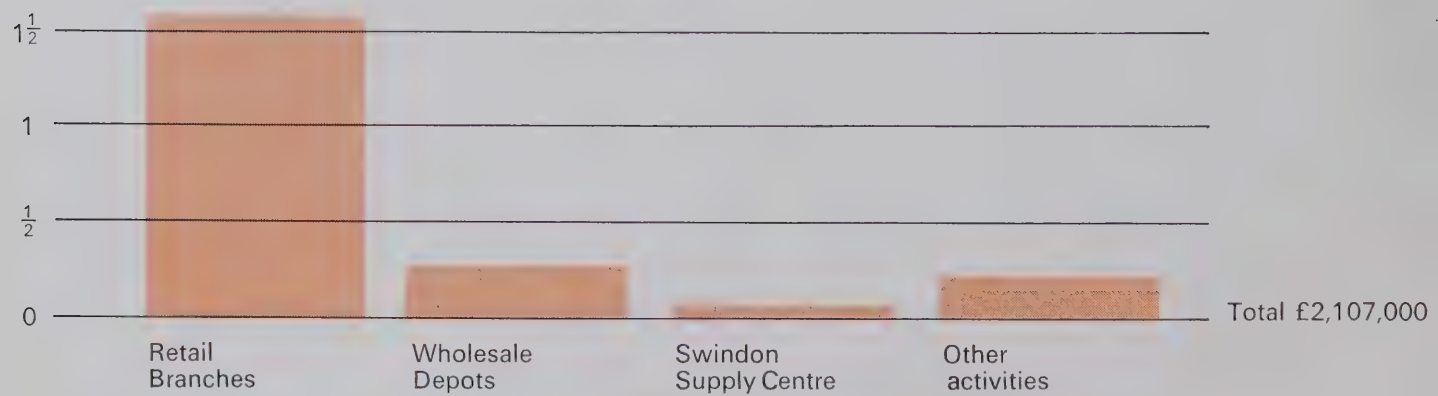
Capital expenditure

The total capital expenditure of the last five years analysed over the main activities of the Group is set out below :

£ Millions

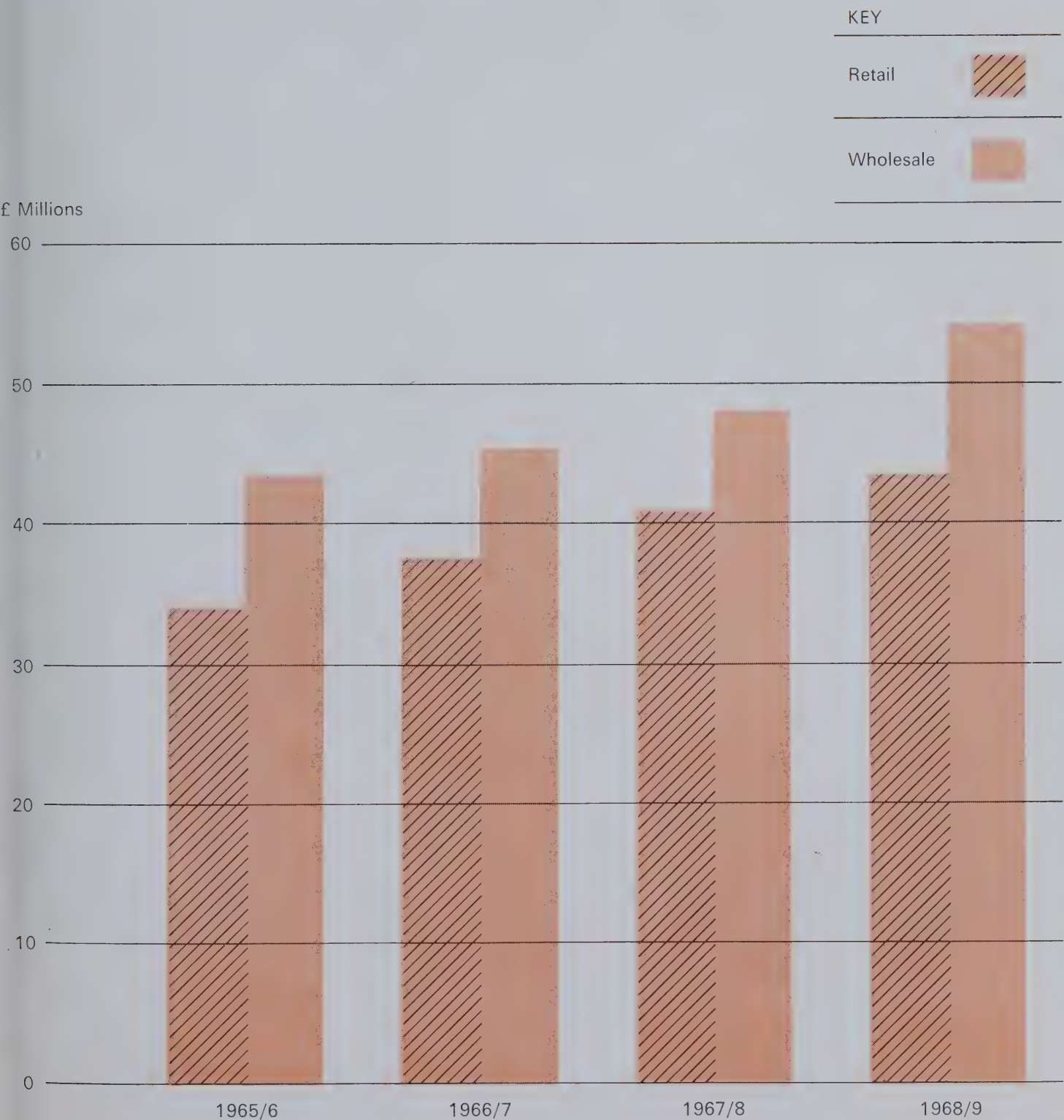


The anticipated capital expenditure for 1969/70 is as follows :



W.H.Smith & Son (Holdings) Limited and Subsidiary Companies

Division of sales to customers outside the Group, between retail and wholesale, as newsagents, booksellers and stationers

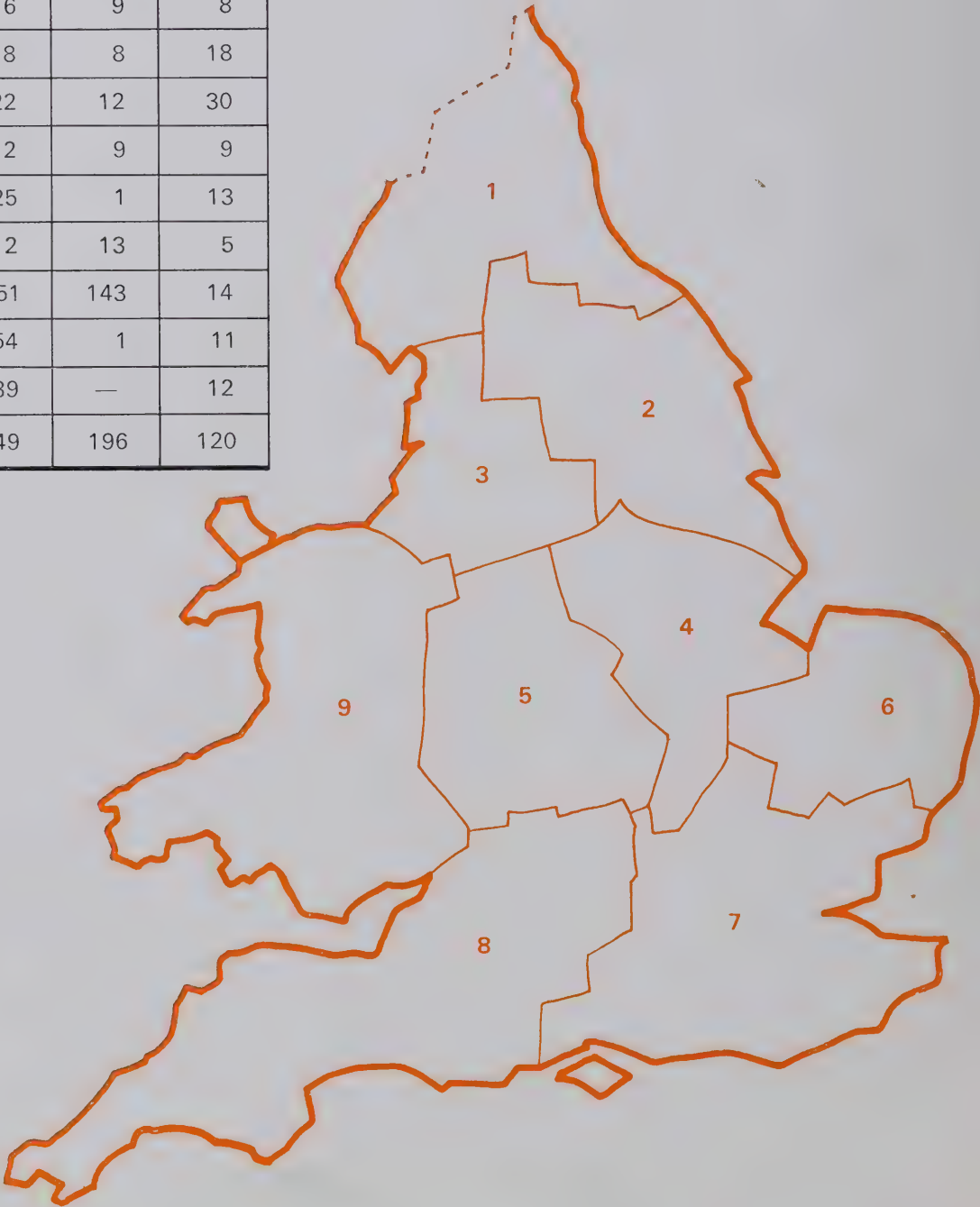


W.H.Smith & Son (Holdings) Limited

Geographical analysis of branches

Branches dealing in news, books and stationery etc., divided into the standard regions used for Government statistics

Area	Retail		Wholesale depots
	Shops	Main stalls	
No.1 North	16	9	8
2 Yorkshire & Humberside	18	8	18
3 North West	22	12	30
4 East Midland	12	9	9
5 West Midland	25	1	13
6 East Anglia	12	13	5
7 South East	151	143	14
8 South West	54	1	11
9 Wales	39	—	12
Total	349	196	120



W.H.Smith & Son (Holdings) Limited

Appendix to Directors' Report

Proportions of turnover and contribution to Group profit of principal activities

<i>Principal activities</i>	<i>Proportions of total turnover</i>		<i>Capital employed</i>		<i>Contribution to group profit before taxation</i>	
	£'000	%	£'000	%	£'000	%
Newsagents, booksellers and Stationers.....	97,811	95.4	22,587	95.8	3,680	96.0
Shopfitting manufacturers.....	1,405	1.4	607	2.6	(1)	—
Road Haulage Contractors.....	1,199	1.2	188	.8	104	2.7
Advertising Agents.....	2,052	2.0	196	.8	49	1.3
Management Consultants.....	47	—	4	—	2	—
	102,514	100.0	23,582	100.0	3,834	100.0

There is a small element of inter Company sales which has not been eliminated in making these calculations.

<i>Geographical analysis</i>	<i>Proportions of total turnover</i>		<i>Capital employed</i>		<i>Contribution to group profit before taxation</i>	
	£'000	%	£'000	%	£'000	%
United Kingdom.....	98,626	97.7	23,027	97.7	3,716	96.9
France and Belgium.....	560	.6	141	.6	28	.7
Canada.....	1,626	1.6	409	1.7	69	1.8
Malta.....	174	.1	5	—	21	.6
	100,986	100.0	23,582	100.0	3,834	100.0

Particulars of exports

The value of goods exported by the group from the United Kingdom during the year, including goods sold to subsidiaries, was as follows:

Newspapers, magazines, books, stationery, toys and fancy goods.....	1,692,000
Shopfittings.....	167,000
Total.....	£1,859,000

Significant changes in fixed assets of the Group

The additions and sales of fixed assets during the year are shown on Page 22, from which it can be seen there have been no significant changes. During the year all commercial vehicles and the new computer at Strand House have been leased and not purchased, which accounts for the increase in the figure for hire of plant and machinery shown on Page 17.

Statement of market value of freehold and leasehold properties

During 1969/70 a revaluation of all the properties of the Group will be made, but it is the opinion of the Directors and the Company's professional staff that the market value of the properties is not materially different from £19,356,000, which is the sum of the book value at the 1st February 1969 of £15,411,000 and the surplus of £3,945,000 referred to at the foot of page 22.

Freehold and leasehold properties surplus to requirements at the year end and to be sold amount to £288,000 at balance sheet values.

W.H.Smith & Son (Holdings) Limited

Appendix to Directors' Report continued

Staff

The average number of persons employed by the Group in the United Kingdom each week during the year has been 18,735. The aggregate remuneration paid or payable to United Kingdom employees in respect of the year ended 1st February, 1969, amounted to £11,596,000.

United Kingdom	Total	Male	Female	Retailing	Wholesaling	Other depart- ments etc.
				%	%	%
Full-time.....	10,696	6,150	4,546	43.0	36.4	20.6
10-30 hours per week.....	3,017	798	2,219	76.8	20.3	2.9
Less than 10 hours per week.....	5,022	3,955	1,067	99.5	0.5	—
	18,735	10,903	7,832	63.5	24.2	12.3
France and Belgium.....	85	24	61	100.0	—	—
Canada.....	136	27	109	94.0	6.0	—
Malta.....	17	11	6	—	100.0	—
	18,973	10,965	8,008	63.9	24.0	12.1

Charitable and political contributions

Charitable contributions during the year totalled £22,000. There were no political contributions.

Contracts in which the Directors have or have had material interests

None of the Directors had a beneficial interest in any contract to which the parent Company or a subsidiary was a party during the financial year.

The Company's Shareholders

An analysis at 1st February 1969 showed the spread of ordinary shareholdings to be:

Holder	Shares		Shares		Number of shareholdings	
	'A'	%	'B'	%	'A'	'B'
Banks and nominees.....	2,232,238	24.05	725,895	7.82	313	79
Insurance companies.....	1,731,978	18.66	29,024	0.31	42	3
Investment trusts.....	429,851	4.63	1,046	0.01	33	2
Pension funds.....	656,828	7.08	18,562	0.20	46	2
Limited companies.....	507,494	5.47	8,499	0.09	67	15
Private holders.....	3,722,861	40.11	8,498,224	91.57	7,167	4,285
	9,281,250	100.00	9,281,250	100.00	7,668	4,386

The Company is not a close company.

Directors' interests in shares, debentures and unsecured loan stock

The interests of each Director, as recorded in the Company's Register of Directors' share interests as at 1st February, 1969, are shown below. Comparative figures as at 3rd February, 1968 are shown in orange. The figures in brackets show trust holdings where a Director or his family are beneficiaries and he or other Directors are trustees; these amounts are therefore also included in the trustee holdings.

	'A' Ordinary Shares		'B' Ordinary Shares		Other holdings*	
	1.2.69	3.2.68	1.2.69	3.2.68	1.2.69	3.2.68
<i>Beneficially</i>						
The Hon. D. J. Smith.....	(4,434)	(4,434)	91,855 (4,083)	91,855 (4,083)	(c) (16,203) (d) (2,811)	(16,203) (2,811)
M. C. St. J. Hornby.....	6,277	6,277	172,788	172,788	(d) 100	100
C. H. W. Troughton.....	973	973	20,000	—		
The Hon. J. F. A. Smith.....	10,000	10,000	11,508	11,508		
Lord Margadale.....			151,200	151,200	(c) (1,025)	(1,025)
P. W. Bennett.....	640	640	30,000	30,000		
J. G. Phillimore.....	3,000	3,000				
H. N. Saunders.....					(a) 100	100
Viscount Hambleden.....			1,125 (3,923,813)	1,125 (4,004,406)		
G. W. Rowe.....			69,607	69,607		
H. H. van Straubenzee.....	1,050	1,050	45,000	45,000		
<i>As Trustees</i>						
The Hon. D. J. Smith C. H. W. Troughton P. W. Bennett The Hon. J. F. A. Smith G. W. Rowe and H. H. van Straubenzee	9,825	9,549	1,224	1,224	(c) 20,000	20,000
The Hon. D. J. Smith and M. C. St. J. Hornby						
The Hon. D. J. Smith and Lord Margadale						
The Hon. D. J. Smith C. H. W. Troughton, P. W. Bennett, G. W. Rowe and H. H. van Straubenzee						
The Hon. D. J. Smith and The Hon. J. F. A. Smith						
Viscount Hambleden and C. H. W. Troughton						
Viscount Hambleden, M. C. St. J. Hornby and The Hon. J. F. A. Smith	260,682	293,452	3,468,513	3,266,033	(c) 16,203 (d) 2,811	16,203 2,811
The Hon. J. F. A. Smith and C. H. W. Troughton						
The Hon. D. J. Smith.....	720	720				
Viscount Hambleden.....	3,754	5,787	277,754	267,805	(d) 2,533	2,533
The Hon. J. F. A. Smith.....			149,356	181,170		
C. H. W. Troughton.....	2,812	2,812	551,842	551,842	(b) 2,500	2,500
Lord Margadale.....					(e) 7,500	7,500

(a) 4½% Cumulative Redeemable Preference Shares

(b) 8% Redeemable Debenture Stock 1987/92

(c) 4½% Redeemable Debenture Stock 1970/85

(d) 7½% Redeemable Unsecured Loan Stock 1988/93

(e) 5½% Redeemable Unsecured Loan Stock

The Company is not a party to any scheme to benefit Directors by enabling them to buy shares in or debentures of the Company or any other Company.

